

the man

Joseph Hardiman was the man behind the NASDAQ's explosive growth in 1995. In January 1997, Hardiman put the securities industry behind him. Amidst his turbulent nine and a half years with the NASD, Hardiman managed to seize the silver lining—time and again.

BY BETTY LYNNE LEARY

As panicked investors watched the stock market tumble and fall in October 1987, Joseph R. Hardiman ('62) knew the unfolding drama marked his baptism by fire. In the hectic days following the crash, the newly appointed president and CEO of the National Association of Securities Dealers (NASD), which oversees the NASDAQ stock market, put 20 years of investment experience to the test to mollify investors, most of whom experienced the 1929 crash only through history books.

"They were very, very emotional times," Hardiman recalls. "People were afraid, and we spent a good deal of time calming their fears. We knew that the systems were working and that this would be a short-term phenomenon."

He was right, of course, as he often is when judging the market. He notes that the crash, while harrowing for investors, prompted the nation as a whole to step back and evaluate how the markets operate. At NASDAQ, Hardiman called in the market makers—firms that buy and sell NASDAQ stocks—for negotiations on how to improve the system.

"We changed the rules that market makers operate under, changes we all felt were necessary. And it was done with their cooperation and support," he says. "If we had tried to accomplish that without the event of 1987, it would have taken much longer and we might not have had their full support."

As the initial fervor from the crash subsided, Hardiman, a Salisbury, Md., native, began crafting a new image for NASDAQ, considered by many to be a technological fad. Hardiman relates that "we took a stock market that wasn't even in the top five and built it into the second largest in the world." His hard-driving approach and no-nonsense style spurred the organization to record growth and adeptly positioned NASDAQ as the market of the future. By 1992, five years after the crash, NASDAQ trades reached \$891 billion.

his market

Aside from the impressive numbers posted during his tenure, Hardiman points out other less obvious accomplishments. When he took the reins at NASDAQ, the organization was encumbered by a 1970s-era computer system. To achieve the ambitious goals mapped out for the young electronic market, Hardiman ordered an upgrade. He likens it to driving a car down the expressway at 60 miles an hour and changing all the parts without ever missing a beat.

"We changed the whole technology while it was still running every day, which was a significant behind-the-scenes accomplishment," he says. The system could now handle more than one billion trades daily, inching NASDAQ ever closer to the stalwart New York Stock Exchange and solidifying its position as a viable alternative to the older, floor-based market.



DOUG McDONOUGH

The nation's investors took notice and NASDAQ's dollar volume rocketed to more than \$1,449 billion by 1995. Americans weren't the only ones watching the market's explosive growth. Foreign countries began emulating NASDAQ's screen-based system and Hardiman envisions the day when electronic markets connect countries throughout the world, with trading 24 hours a day.

After more than 30 years in the securities industry, Hardiman knows that for every bull market, the bear lies not far behind. The downturn came in the fall of 1994, with accusations of collusion and manipulation of stocks among NASDAQ's market makers. Subsequent investigations by the Justice Department and the Securities and Exchange Commission (SEC) brought an onslaught of media attention that threatened to tarnish NASDAQ's rising star. Reflecting back on those months of intense scrutiny, Hardiman admits that he doesn't miss being in the lime-light, and although prohibited by the SEC from disclosing the details of the settlement, he notes that a number of positive changes were made following the investigations.

"We had already implemented a number of changes by the time the matter was settled with the SEC," he says, acknowledging that the investigation hastened those actions. "I also believe that some of what the SEC required us to undertake was excessive mismanagement on their part, and they're beginning to realize it now. They're realizing that adjustments will need to be made."

In the midst of the turmoil, the search for Hardiman's replacement was already under way as Hardiman's self-imposed timeline

for departure was drawing near.

"Nine and a half years was enough," he says. "When I took the job I told them I would stay at least five years but no more than 10. I believe it takes at least five years to have an impact, but the organization needs change at the top, and individuals need change too. When I left, it was a good time for the organization and a good time for me."

Hardiman stayed on as CEO until January 1997 in order to complete the settlement and put it behind the organization. He also wanted his successor, Alfred R. Berkeley III, on board for a smooth transition of leadership.

"We worked out very well. He's a very capable man who works well with the SEC and its chairman," Hardiman says. "He'll accomplish many of the things we planned."

After retiring from the NASD, Hardiman turned his investing attention to small, private companies. He also volunteers his time to causes he feels worthy, such as chairing the School of Law's Board of Visitors and the University of Maryland System's capital campaign. He also chairs a national commission sponsored by the National Association of Corporate Directors, which examines the liabilities of directors of public companies who detect fraud and other illegal activity.

Hardiman admits that he doesn't miss the fishbowl existence of heading the world's second-largest stock market.

"That position was very public and closely scrutinized by investors, regulators, Congress and the ever-present media," he says with a laugh. "My days were dictated by the needs of my constituents."

The laugh comes easier now that Hardiman creates his own schedule which allows more time for golf, including some senior tournament play. He and his wife enjoy traveling and he expresses an interest in expanding his fly-fishing skills.

"I'm quite busy, but now I control my own schedule instead of being controlled by others," he says. "It's one of the real pleasures."

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